

**STATE OF UTAH**  
**DEPARTMENT OF NATURAL RESOURCES**  
**DIVISION of OIL, GAS and MINING**  
355 West North Temple  
3 Triad Center, Suite 350  
Salt Lake City, Utah 84180-1203  
(801) 538-5340

**RECLAMATION CONTRACT**

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For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.) M/015/061  
(Mineral Mined) Bentonite (Clay)

"MINE LOCATION":  
(Name of Mine) Last Chance  
(Description) Approximately 18 miles south of the  
town of Emery  
Emery County, Utah

"DISTURBED AREA":  
(Disturbed Acres) 10.2  
(Legal Description) (refer to Attachment "A")

"OPERATOR":  
(Company or Name) Western Clay Company  
(Address) 508 East Center  
Aurora, Utah 84620  
(Phone) (801) 529-3281

"OPERATOR'S REGISTERED AGENT":

(Name)

Neal Mortensen

(Address)

405 South Main

Central Valley, Utha 84754

(Phone)

(801) 896-6927

"OPERATOR'S OFFICER(S)":

Fred Mortensen - President

Garin Madsen - Vice President

Neal Mortensen - Secretary/Treasurer

"SURETY":

(Form of Surety - Attachment B)

Letter of Credit

"SURETY COMPANY":

(Name, Policy or Acct. No.)

Utah Independent Bank

"SURETY AMOUNT":

(Escalated Dollars)

\$40,800

"ESCALATION YEAR":

2000

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Western Clay Company the "Operator" and the Utah State Board of Oil, Gas and Mining ("Board").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/015/061 which has been approved by the Utah State Division of Oil, Gas and Mining "Division" under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved Reclamation Plan, and Operator is obligated to provide surety in form and amount approved by the Board, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Board and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the original Notice of Intention dated January 4, 1994, and the original Reclamation Plan dated January 4, 1994. The Notice of Intention as amended, and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Board. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Board in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Board. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as

amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the (Board) that the aggregate face amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The (Board) shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Board to substitute surety. The Board, in its sole judgment and discretion, may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.

14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

FRED D. Mortensen  
Authorized Officer (Typed or Printed)

Fred D. Mortensen  
Authorized Officer's Signature

7/11/95  
Date

SO AGREED this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

AND APPROVED AS TO FORM AND AMOUNT OF SURETY:

BY \_\_\_\_\_  
Dave D. Lauriski, Chairman  
Utah State Board of Oil, Gas and Mining

DIVISION OF OIL, GAS AND MINING:

By \_\_\_\_\_  
James W. Carter, Director

\_\_\_\_\_ Date

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss:

On the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, personally  
appeared before me, who being duly sworn did say that he/she, the said  
\_\_\_\_\_ is the Director of the Division of  
Oil, Gas and Mining, Department of Natural Resources, State of Utah, and he/she  
duly acknowledged to me that he/she executed the foregoing document by  
authority of law on behalf of the State of Utah.

\_\_\_\_\_  
Notary Public  
Residing at: \_\_\_\_\_

\_\_\_\_\_  
My Commission Expires:

OPERATOR:

WESTERN CLAY COMPANY  
Operator Name

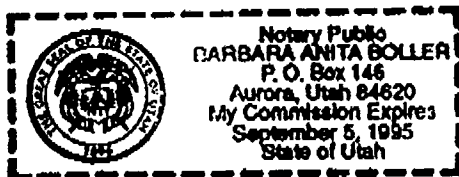
By FRED D. MORTENSEN, PRESIDENT  
Corporate Officer - Position

July 11, 1995  
Date

Fred D. Mortensen  
Signature

STATE OF Utah )  
COUNTY OF Sevier ) ss:

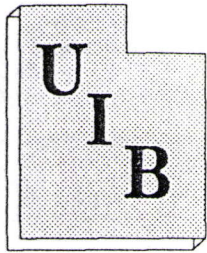
On the 11th day of July, 19 95, personally  
appeared before me Fred D. Mortensen who  
being by me duly sworn did say that he/she, the said Fred D. Mortensen  
is the President of Western Clay Company  
and duly acknowledged that said instrument was signed on behalf of said company  
by authority of its bylaws or a resolution of its board of directors and said  
Fred D. Mortensen duly acknowledged to me that said  
company executed the same.



Barbara Anita Boller  
Notary Public  
Residing at: Richfield, Utah

Sept. 5, 1995  
My Commission Expires:



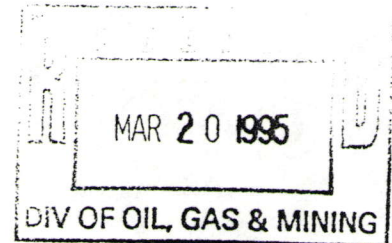


# UTAH INDEPENDENT BANK

55 South State  
Salina, Utah 84654  
Phone (801)529-7459

Letter of Credit No.: 25069659  
March 17, 1995

Utah Independent Bank  
March 17, 1996



Utah Division of Oil, Gas and Mining  
3 Triad Center, Suite 350  
Salt Lake City, UT 84180-1203

United States Department of Interior  
Bureau of Land Management  
Moab District  
San Rafael Resource Area  
900 North 700 East  
Price, UT 84501

Gentlemen and Ladies:

1. Utah Independent Bank, Salina, Utah, hereby establishes this irrevocable Letter of Credit in favor of the Utah Division of Oil, Gas and Mining ("Division") for an aggregate amount not to exceed \$40,800.00 in United States dollars effective immediately.

2. This Letter of Credit will expire upon the earlier to occur of (a) 5:00 o'clock p.m. (Salt Lake City time) on March 17, 1996 and (b) the date upon which documents are executed pursuant to which the Division releases Western Clay Company from liability for reclamation of the Western Clay Company mines, no.

3. The Letter of Credit will be automatically extended for successive periods of one year from the current or any future expiration date unless the Utah Independent Bank gives notice to the Division 90 days prior to the expiration date that the Utah Independent Bank elects not to renew the Letter of Credit.

4. Funds under the Letter of Credit are available against the Division's sight draft, in the form of Exhibit A, specifying Letter of Credit No.: \_\_\_\_\_ delivered to the office of the Utah Independent Bank, 55 South State Street, Salina, Utah. At the Division's sole election, the Division may present sight drafts for less than the face amount so long as the aggregate amount of all sight drafts does not exceed the face amount. Each draft must be accompanied by a certificate in the form of Exhibit B, signed by a duly authorized representative of the Division.

5. If the Utah Independent Bank receives the Division's sight draft(s) and certificate(s) as provided in Paragraph No. 4 above on or before the expiration or termination date of this Letter of Credit, Utah Independent Bank will make such amount as the Division may specify, within the limits of the second sentence of Paragraph No. 4 of this Letter of Credit, available to the Division no later than the close of business, Salt Lake City time, on the second business day following the Utah Independent Bank's receipt of the sight draft and certificate and in such a manner as the Division may specify.

6. The Utah independent Bank will give prompt notice to Western Clay Company, and to the Division Director of any notice received or action filed alleging the insolvency or bankruptcy of the Utah Independent Bank, or alleging any violations of regulatory requirements which could result in suspension or revocation of the Utah Independent Banks charter or license to do business.



ATTACHMENT "A"

Western Clay Company  
Operator

Last Chance  
Mine Name

M/015/061  
Permit Number

Emery County, Utah

**The legal description of lands to be disturbed is:**

NE/4 Section 7 and the NW/4 Section 8  
Township 25 South, Range 6 East, Salt Lake Base Meridian  
Emery County, Utah

7. The Letter of Credit will be governed by the laws of the State of Utah and shall be subject to the Uniform Customs and Practice for Documentary Credit, 1983 revision, International Chamber of Commerce Publication No. 400, as the same may be amended and in effect from time to time ("UCP"). In the event of a conflict between Utah Law and the UCP, Utah Law shall govern.

8. All communications regarding this Letter of Credit will be addressed to the Utah Independent Bank, 55 South State Street, Salina, Utah, referencing Letter of Credit No.:

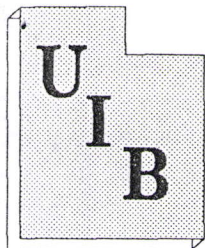
Very truly yours,

Utah Independent Bank

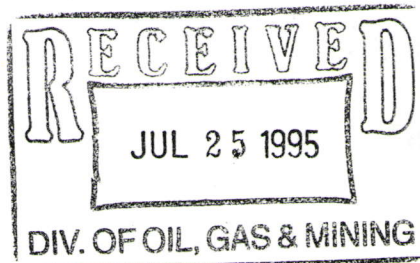
By: Mike Shaw  
Mike Shaw - Cashier

MWS/lc

cc: Western Clay Company  
file



**UTAH  
INDEPENDENT  
BANK**



*Jonny*  
**M/015/061**

55 South State  
Salina, Utah 84654  
Phone (801)529-7459

Letter of Credit No.: 25069659  
March 17, 1995

Utah Independent Bank  
March 17, 1996

Utah Division of Oil, Gas and Mining  
3 Triad Center, Suite 350  
Salt Lake City, UT 84180-1203

and

United States Department of Interior  
Bureau of Land Management  
Moab District  
San Rafael Resource Area  
900 North 700 East  
Price, UT 84501

Gentlemen and Ladies:

*THIS VERSION OF THE  
LOC REPLACES THE PREVIOUS  
VERSION.*

1. Utah Independent Bank, Salina, Utah, hereby establishes this irrevocable Letter of Credit in favor of the Utah Division of Oil, Gas and Mining ("Division") for itself and as agent for the Department of the Interior - BLM (collectively, the "Beneficiaries") for an aggregate amount not to exceed \$40,800.00 in United States dollars effective immediately.

2. This Letter of Credit will expire upon the earlier to occur of (a) 5:00 o'clock p.m. (Salt Lake City time) on March 17, 1996 and (b) the date upon which documents are executed pursuant to which the Division releases Western Clay Company from liability for reclamation of the Last Chance Clay Mine, no. M/015/061 with notice to Bank or Surety by the Division accompanied by the original Letter of Credit with directions for cancellation.

3. The Letter of Credit will be automatically extended for successive periods of one year from the current or any future expiration date unless the Utah Independent Bank gives notice to the Division 90 days prior to the expiration date that the Utah Independent Bank elects not to renew the Letter of Credit.

4. Funds under the Letter of Credit are available against the Division's sight draft, in the form of Exhibit A, specifying Letter of Credit No.: 1 ~~19~~ delivered to the office of the Utah Independent Bank, 55 South State Street, Salina, Utah. At the Division's sole election, the Division may present sight drafts for less than the face amount so long as the aggregate amount of all sight drafts does not exceed the face amount. Each draft must be accompanied by a certificate in the form of Exhibit B, signed by a duly authorized representative of the Division.

5. If the Utah Independent Bank receives the Division's sight draft(s) and certificate(s) as provided in Paragraph No. 4 above on or before the expiration or termination date of this Letter of Credit, Utah Independent Bank will make such amount as the Division may specify, within the limits of the second sentence of Paragraph No. 4 of this Letter of Credit, available to the Division no later than the close of business, Salt Lake City time, on the second business day following the Utah Independent Bank's receipt of the sight draft and certificate and in such a manner as the Division may specify.

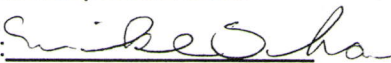
6. The Utah independent Bank will give prompt notice to Western Clay Company, and to the Division Director of any notice received or action filed alleging the insolvency or bankruptcy of the Utah Independent Bank, or alleging any violations of regulatory requirements which could result in suspension or revocation of the Utah Independent Banks charter or license to do business.

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8. All communications regarding this Letter of Credit will be addressed to the Utah Independent Bank, 55 South State Street, Salina, Utah, referencing Letter of Credit No.: ~~25000000~~.

Very truly yours,

Utah Independent Bank

By:   
Mike Shaw - Cashier

MWS/lc

cc: Western Clay Company  
file